

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Developing a Unified Inter-carrier	)	CC Docket No. 01-92
Compensation Regime	)	

**INITIAL COMMENTS OF THE  
MIDWEST RURAL CLEC COALITION**

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**SUMMARY OF INITIAL COMMENTS OF MIDWEST RURAL CLEC COALITION**

The Missoula Comprehensive Intercarrier Compensation Reform Plan (“Missoula Plan” or “Plan”) reflects a commendable effort to reform the current intercarrier compensation system. Importantly, the Missoula Plan recognizes the substantial differences among various types of carriers and the dramatically disparate impacts that changes to intercarrier compensation can have on these different types of carriers. Accordingly, the Missoula Plan establishes different intercarrier compensation regimes for different types of carriers, depending primarily on the size of the carrier and the extent to which the carrier serves rural areas. Moreover, the Plan includes a restructuring mechanism that would compensate carriers for substantial revenue losses resulting from the Plan. This pragmatic, nuanced approach to intercarrier compensation reform is the core strength of the Missoula Plan and should be reflected in any reforms adopted by the Federal Communications Commission (“Commission”).

Unfortunately, the Missoula Plan currently fails to recognize the distinct characteristics of small rural competitive local exchange carriers (“Rural CLECs”) and the extraordinarily harmful impact the Plan would have on those carriers. Instead, the Plan treats Rural CLECs in exactly the same way it treats large multi-billion dollar ILECs that operate in major urban centers. Without important clarifications and modifications to the Plan, it would invariably have a devastating impact on Rural CLECs and the communities they serve. As discussed below, the

access rate reductions mandated for Track 1 carriers would put most Midwest Rural CLEC Coalition (“MRCC”) members out of business. As documented by rural customer testimonials in Exhibits A through I, losing Rural CLECs such as the members of the MRCC would cause serious economic harm to rural communities. It is imperative that the Missoula Plan, or any intercarrier compensation reform plan, reflect the essential role Rural CLECs play in the vitality of rural economies. In many cases, Rural CLECs provide the bridge over the Digital and Economic Divide that would otherwise exist between urban and rural areas.

Therefore, consistent with the Missoula Plan’s pragmatic nuanced approach related to ILECs, any reform plan ultimately adopted by the Commission needs to account for the impact on Rural CLECs and the rural communities they serve. To that end, the MRCC urges the Commission to clarify and modify the Missoula Plan to:

1. Ensure that Rural CLECs have access to the restructuring mechanism (“RM”) established under the Plan, as an access element, to offset any revenue losses that result from required rate reductions;<sup>1</sup>
2. Apply the rural exemption rates/rate structure under 47 C.F.R. § 64.26 (e) (highest band NECA rates) to the interstate and intrastate access rates of all Rural CLEC, with any necessary reductions in intrastate access rates phased in using the Plan’s 4-step phase down applicable to Track 3 carriers (4 equal annual reductions down to the rural exemption rate);
3. Allow Rural CLECs a one-time option to opt into reciprocal compensation rates for local traffic equal to the terminating rate caps applicable to Track 2 carriers; and
4. Give Rural CLECs access to the Rural Transport Rules that the Missoula Plan would apply to Rural ILECs.

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<sup>1</sup> As discussed below, Rural CLECs would recover through the RM only those revenue losses that are not recovered through the SLC that the competing ILEC charges.

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**INITIAL COMMENTS OF MIDWEST RURAL CLEC COALITION**

The following Initial Comments are submitted to the Federal Communications Commission (“Commission”) by the Midwest Rural CLEC Coalition (“MRCC”)<sup>2</sup> in response to the Commission’s Public Notice dated July 25, 2006, as modified by the Order dated August 29, 2006. The MRCC is an unincorporated ad hoc group of 20 small competitive local exchange carriers (“CLECs”) that provide local exchange service in rural areas of Minnesota, Wisconsin, and North Dakota. All MRCC members are Rural CLECs as defined by the Commission in 47 C.F.R. § 61.26(a)(6).

As small rural carriers, MRCC members serve an average of approximately 4,000 access lines per company with the smallest member serving less than 350 lines and the largest serving approximately 13,000 lines. The average exchange served by MRCC members has just over 1,700 access lines. Rural CLECs such as those participating in the MRCC offer competitive rates, but do not charge rates substantially below the rates offered by the ILECs they compete

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<sup>2</sup> Midwest Rural CLEC Coalition members consist of the following 19 telecommunications carriers: Ace Link Telecommunications, Inc.; C-I Communications, Inc.; City of Windom; Consolidated Telephone Company; EN-TEL Communications, LLC; Hiawatha Broadband Communications, Inc.; HomeTown Solutions, LLC; Hutchinson Telecommunications, Inc.; KM TELECOM; Local Access Network, LLC; Mainstreet Communications, LLC; NorthStar Access, LLC; Otter Tail Telcom, LLC; Paul Bunyan Telephone; Tekstar Communications; Consolidated Communications Networks, Inc.; Daktel Communications, LLC; Polar Telcom, Inc.; Nextgen Communications, LLC; HTC Services, Inc.

against.<sup>3</sup> Instead, Rural CLECs compete primarily by providing new, advanced telecommunications services and more personalized customer service that rural customers did not previously receive from the ILEC and, in many instances, still cannot receive from the ILEC.

These Comments (1) address the impact the Missoula Plan would have on Rural CLECs such as the members of the MRCC; and (2) propose specific clarifications or modifications to avoid the substantial harm to Rural CLECs and their communities that would otherwise result from the Plan.

**I. THE MISSOULA PLAN, WITHOUT CERTAIN MODIFICATIONS AND CLARIFICATIONS, WOULD HAVE A DEVESTATING IMPACT ON RURAL CLECS AND THE AVAILABILITY OF ADVANCED SERVICES AND COMPETITIVE ALTERNATIVES IN RURAL COMMUNITIES.**

As its principle strength, the Missoula Plan was specifically tailored to account for the material differences among different types of carriers. Accordingly, the Plan establishes Tracks 2 and 3 specifically for smaller, more rural ILECs to ensure that they are not subject to the same regime that applies to the much larger and more urban Regional Bell Operating Companies (“RBOCs”) that fall under Track 1. But as its primary weakness, the Plan fails to account for the unique characteristics, contributions and vulnerabilities of Rural CLECs. Having tailored its intercarrier compensation proposals specifically to distinguish RBOCs from their much smaller, more rural ILEC brethren, the Missoula Plan then mistakenly fails to recognize the same material distinction between RBOCs and Rural CLECs.<sup>4</sup>

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<sup>3</sup> Qwest’s Minnesota tariffed local exchange residential rate outside the Twin Cities Metropolitan Area is \$13.96 per access line. See Qwest Corporation Exchange and Network Services Tariff No. 1, Section 5, p. 81, Release 1, Effective 1-1-06. The composite average rate of the MRCC members providing service in Qwest’s rural Minnesota exchanges is \$13.12.

<sup>4</sup> The Missoula Plan also fails to recognize the material differences in size, revenue, and service characteristics between RBOCs and CLECs generally. Therefore, it may not be appropriate to subject any CLEC to precisely the same intercarrier compensation regime that applies to RBOCs. Even the largest multi-state CLECs serve only a small fraction of the access lines served by the smallest RBOC.

Rural CLECs have brought tremendous benefits to customers and economies in high cost rural areas. Given the high cost of serving these areas and the comparatively small size of Rural CLECs, the Missoula Plan reforms that might make sense for a RBOC would have a devastating impact on Rural CLECs and the areas they serve. Therefore, it is imperative that the Missoula Plan's recognition of differences among ILECs be extended to account for the unique characteristics of Rural CLECs.

Rural CLECs have brought competitive choice, new services and substantial investments to rural areas where many had predicted wireline competitors would never go. MRCC members offer state of the art telecommunications services, including Voice Mail, Caller ID, Ethernet and Broadband, throughout the rural communities they serve.<sup>5</sup> In most of these communities, customers did not have access to advanced services such as Broadband or Ethernet until the Rural CLEC entered the market. Some communities did not even have more basic vertical services such as Caller ID and Voice Mail prior to entry of a Rural CLEC.<sup>6</sup> Rural CLECs such as those represented in the MRCC have brought modern telecommunications and broadband internet services to small rural towns, schools and hospitals and have, as a result, contributed substantially to the economic vitality of rural communities.

MRCC members alone provide local service to over 130 schools and approximately 50 hospitals or medical facilities, bringing the benefits of advanced services and telemedicine to rural areas. In many communities, the ILECs still do not provide the advanced services offered by Rural CLECs. Attached to these comments as Exhibits A through I are letters from rural customers, including homeowners, schools, businesses and local/state officials, describing the critical role Rural CLECs play in the economic vitality of rural areas and pointing specifically to

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<sup>5</sup> All 19 MRCC members provide broadband services.

<sup>6</sup> See Rural CLEC Exhibits A – F.

the advanced services and high quality customer care that Rural CLECs bring to the communities they serve. As one example, the business manager for the Fergus Falls Public Schools notes that only the Rural CLEC, Otter Tail Telcom, provides an advanced telecommunications product called Metro Optical Ethernet.<sup>7</sup> Letters from other rural school districts, small businesses, residents and public officials describe similar benefits that Rural CLECs have brought to their communities. A residential customer of MRCC member, Polar Telcom, described the benefits that Rural CLECs bring to rural North Dakota:

As far as I'm concerned, Polar came to Mayville and Portland and offered services we had never had before. We've switched everything over and have been very happy with the personal service. Polar also built a building, which has made a huge improvement to Main Street. Nice to see progress in a rural community.<sup>8</sup>

The substantial benefits brought by Rural CLECs to rural communities have required massive investments in telecommunications infrastructure. MRCC members alone have invested over \$300 million in rural areas of Minnesota, Wisconsin and North Dakota. All MRCC members serve most if not all of their customers using their own end to end facilities, independent of the ILEC's loop and transport facilities. Hence, Rural CLECs have done exactly what CLECs have been encouraged to do under the Act – they have invested in new, competing networks to serve the needs of rural customers.

The costs that Rural CLECs incur to bring competitive services to rural communities are extraordinarily high because of the high cost characteristics of the areas they serve. Importantly, Rural CLEC costs and cost-recovery capabilities have nothing in common with the average costs and cost-recovery capabilities of RBOCs. Unlike Rural CLECs, RBOCs and other large ILECs derive much of their revenue from low cost customers in more urban exchanges. As a result, they can spread their cost recovery across a much larger group of customers, including low-cost

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<sup>7</sup> See Exhibit E.

<sup>8</sup> See Exhibit F.



customers in urban centers. As such, their average costs are obviously much lower than the average costs of Rural CLECs. Moreover, costs incurred by RBOCs and other large ILECs should be comparatively lower than Rural CLECs given that RBOCs and other large ILECs can obviously achieve substantially greater economies of scale and scope than the much smaller Rural CLECs.

In a nutshell, Rural CLECs have substantially higher average costs than the RBOCs or larger ILECs with which they compete. Rural CLECs cannot continue to operate and compete against larger ILECs without recovering a significant portion of their costs from toll access charges or from a RM if access rate reductions are mandated. Universal Service Fund (USF) support does little, if anything, to help most Rural CLECs overcome the high cost barriers to serving rural areas. In fact, MRCC carriers are more vulnerable to mandated toll access charge rates reductions than Rural ILECs since none of the MRCC members receives any high cost USF support.

There is no question that the continued vitality of Rural CLECs and the communities they serve depends substantially on revenue from toll access charges or, in the alternative, access to the RM to offset mandated access charge reductions. Any significant reductions in Rural CLEC toll access revenues would have a devastating impact on the economic vitality of rural communities that depend on Rural CLECs for state-of-the art advanced telecommunications services that play a major role in facilitating economic development.

## **II. THE MISSOULA PLAN SHOULD BE MODIFIED TO ENSURE THE CONTINUED VITALITY OF RURAL WIRELINE COMPETITION.**

Given the small size, high cost characteristics and unique vulnerabilities of Rural CLECs, it is inappropriate to adopt an intercarrier compensation system that treats Rural CLECs as if they were RBOCs or other larger ILECs. To the contrary, any reasonable intercarrier

compensation reforms must account for the unique circumstances facing Rural CLECs and take steps to ensure that the reforms do not undermine the benefits of the rural competition that the Telecommunications Act of 1996 and the Commission have attempted to facilitate. Therefore, to the extent the Commission adopts the Missoula Plan in whole or in part, the Plan should be modified and clarified to:

1. Ensure that Rural CLECs have access to the RM, as an access element, to offset any revenue losses from Commission-mandated intercarrier rate reductions to the extent those revenue losses are not recovered by Subscriber Line Charge (“SLC”) increases up to the SLC charged by the competing ILEC;
2. Apply the rural exemption rates/rate structure under 47 C.F.R. § 64.26 (e) (highest band NECA rates) to the interstate and intrastate access rates of all Rural CLECs, with any necessary reductions in intrastate access rates phased in using the Plan’s 4-step phase down applicable to Track 3 carriers (4 equal annual reductions down to the rural exemption rate);
3. Allow Rural CLECs a one-time option to opt into reciprocal compensation rates for local traffic equal to the terminating rate caps applicable to Track 2 carriers; and
4. Give Rural CLECs access to the Rural Transport Rules that the Missoula Plan would apply to Rural ILECs.

**A. THE MISSOULA PLAN SHOULD ENSURE RURAL CLEC ACCESS TO THE RESTRUCTURING MECHANISM.**

The Missoula Plan specifically makes the RM available to both price-cap and rate-of-return ILECs in Tracks 1 through 3. But the Plan is silent on whether the RM will be available to other carriers.<sup>9</sup> The Plan should not be adopted unless it is clarified to ensure that Rural CLECs have full access to the RM as an offset to revenue losses, not recovered through limited SLC increases, that result from access charge reductions mandated under the Plan. A Rural CLEC’s, or other carrier’s, ability to implement SLC increases and access the RM should not be contingent on State Commission actions regarding Intrastate Access reductions. Access to RM

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<sup>9</sup> See Section VI.A.2.a (“Restructure Mechanism dollars will be available to other carriers in circumstances to be determined in the future.”).

dollars is essential to avoid the devastating impact on Rural CLECs and their communities that would otherwise result from the revenue losses caused by the Plan's mandated rate reductions. Moreover, Rural CLEC access to RM dollars would have no material incremental impact on the overall size of the RM.

The Plan includes Rural CLECs in Track 1 with RBOCs in spite of the tremendous differences between Rural CLECs and RBOCs in size, revenue, service area and cost characteristics.<sup>10</sup> Failing to appropriately distinguish the treatment of Rural CLECs from the treatment afforded RBOCs, the Plan compounds the problem by giving RBOCs access to the RM while failing to explicitly do the same for Rural CLECs. This disparity in RM access is fundamentally unfair and anti-competitive. It provides a further advantage to large incumbent carriers who already have substantial competitive advantages over Rural CLECs.

Beyond placing Rural CLECs at a competitive disadvantage, denying Rural CLEC access to the RM would invariably put many Rural CLECs out of business. In fact, MRCC carriers collectively would lose over 96% of their access revenue through the rate reductions provided for Track 1 carriers under the Plan. These lost access revenues, on an average per-line basis, would equal or exceed the revenue generated by the residential rates these carriers charge.<sup>11</sup> In other words, many Rural CLECs would have to more than double their residential rates to make up the revenue shortfall resulting from the Track 1 rate reductions mandated by the Plan. Given that Rural CLEC local end-user rates are nearly identical to the end-user rates of the ILECs they compete with, Rural CLECs cannot realistically raise their end-user rates to make up this

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<sup>10</sup> Annual 2005 revenue of Verizon, AT&T and Qwest was \$75.1 billion \$43.8 billion and \$10 billion respectively. In stark contrast, annual revenue of each of the three largest Rural CLEC in the MRCC is less than \$9 million. Moreover, RBOCs serve very large, low-cost metropolitan areas such as New York City, Chicago, Minneapolis, Seattle, Phoenix, and Denver among other cities. In contrast, Rural CLECs by definition do not serve any such large metropolitan areas and confine their service provision to rural areas with much higher per line costs.

<sup>11</sup> Based on the basic flat rate without a SLC.

revenue shortfall. There is, therefore, little doubt that the uncompensated revenue losses mandated by the Plan would materially impair the ability of Rural CLECs to remain in business.<sup>12</sup> For those Rural CLECs still able to remain in business, the dramatic revenue reductions resulting from the Plan would likely render them unable to expand their service areas or service offerings in rural communities.

There are limited, if any, alternatives waiting in line to substitute for Rural CLECs driven out of business by the substantial access rate reductions contemplated for Rural CLECs under the Missoula Plan. The high cost to serve these areas creates an economic barrier to competition for any would-be replacement. Rural CLECs have successfully overcome these barriers through a combination of operational efficiencies, toll access revenue and by responding to customer demand for advanced services. Rural customers currently receiving advanced telecommunications services from Rural CLECs would, in many instances, see those service options disappear as Rural CLECs disappear in the wake of the access reforms in the Missoula Plan. Therefore, if the Commission adopts the rate reductions mandated under Missoula Plan, Rural CLEC access to the RM will be essential to retaining the benefits of competition in rural communities.

The Missoula Plan supporters estimate that, with all CLECs included, the size of the RM will be approximately \$1.5 billion at the end of the transition. Rural CLECs would receive only a small fraction of this amount. Hence the RM dollars flowing to Rural CLECs would have no material impact on the size of the mechanism. Moreover, as discussed below, the impact of Rural CLEC access on the RM can be further minimized by modifying the rate reductions that

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<sup>12</sup> The majority of MRCC carriers would be unable to continue operating if the Track 1 toll access reductions were implemented without access to the RM.

apply to Rural CLECs in a way that reflects their comparatively small size and rural cost characteristics.

Importantly, RM access for Rural CLECs should include three features. First, Rural CLECs should receive dollars that offset the net loss in revenue resulting from any rate reductions mandated by the plan to the extent the revenue loss is not offset by competitively neutral SLC charge increases. Second, a Rural CLEC should not be required to increase its SLC, as a result of intercarrier compensation reform, to a level greater than the SLC of the ILEC with which it competes. To do otherwise would place the Rural CLEC at a distinct competitive disadvantage given that the ILEC likely serves a large number of urban customers, allowing the ILEC to establish a comparatively lower average SLC in rural areas. A Rural CLEC cannot effectively compete if it is compelled to charge a higher SLC than its ILEC competitor.

Finally, Rural CLECs should have access to the RM as an access element under Sections 201, 205 and 251, not as a USF element. Since the RM is targeted specifically to offset losses in access revenue, it makes sense to categorize the RM as an access element. The basis of the Commission's authority to create the RM is the same as its authority to conduct this investigation and to implement the Plan. The Commission has relied on Sections 201 and 205 to implement reform of access charges,<sup>13</sup> and has rejected arguments for including previously categorized access costs in universal service costs.<sup>14</sup> The same authority and reasoning applies here.

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<sup>13</sup> See, e.g., THIRD REPORT AND ORDER, *MTS and WATS Market Restructure*, 93 F.C.C.2d 241 (1983); FIRST REPORT AND ORDER, *Access Charge Reform*, 12 FCC Rcd 15982 (1997) ("FIRST ACCESS REFORM REPORT AND ORDER").

<sup>14</sup> See, FIRST ACCESS REFORM REPORT AND ORDER, at ¶¶ 241-242.

**B. THE MISSOULA PLAN SHOULD BE MODIFIED TO APPLY THE CURRENT INTERSTATE ACCESS RATE STRUCTURE UNDER THE RURAL EXEMPTION IN 47 C.F.R. § 64.26 (E) TO THE INTERSTATE AND INTRASTATE ACCESS CHARGES OF ALL RURAL CLECs.**

Although the Missoula Plan gives Track 3 Rural ILECs access to the RM, the Plan provides for more modest rate reductions than those that apply to Track 1 carriers. These more modest rate reductions stem from the Missoula Plan's recognition that Track 3 carriers "serve many of the more costly areas of the nation . . ."<sup>15</sup> By limiting the rate reductions for these Rural ILECs, the Missoula Plan would reduce the impact of its intercarrier compensation reforms on these ILECs and lessen the incremental burden on the RM.

The reasons underlying the Plan's more modest rate reductions for Rural ILECs apply with equal force to Rural CLECs. Moreover, the Track 1 rate reductions applicable to RBOCs have no relevance to the characteristics or costs of Rural CLECs. Rural CLECs resemble Track 3 ILECs, not RBOCs, in terms of size, services and cost structures. Accordingly, the Commission should modify the Missoula Plan to provide a rate structure tailored to the size, and the rural, high cost characteristics of Rural CLECs. Specifically, the Plan should be modified to apply the current interstate access rate structure under the rural exemption in 47 C.F.R. § 64.26(e) to the interstate and intrastate access services of all Rural CLECs.<sup>16</sup>

The Commission initially adopted the rural exemption rate for CLECs "in recognition of the substantially higher loop costs incurred by competitive LECs in rural areas . . ."<sup>17</sup> The Commission found that Rural CLECs "experience much higher costs . . . when serving a rural

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<sup>15</sup> Missoula Plan at p. 1.

<sup>16</sup> If the commission adopts permissive options for originating access rates such as those in the plan that gives Track 1 and 2 carriers the ability to set reduced or zero originating access rates, Rural CLECs should have similar ability to establish originating access rates equal to their competing ILEC and to have these reductions covered in RM calculations. Absent this ability Rural CLECs will be at a competitive disadvantage with respect to their competing ILECs.

<sup>17</sup> *In the Matter of Access Charge Reform, Reform of Access Charges Imposed by Competitive Local Exchange Carriers*, CC Docket No. 96-262, EIGHTH REPORT AND ORDER AND FIFTH ORDER ON RECONSIDERATION (May 13, 2004) at ¶ 6.

area with a diffuse customer base than they do when serving a more concentrated urban or suburban area.”<sup>18</sup> The Commission also concluded that the rural exemption rate structure “is consistent with the Commission’s obligations, under section 254(d)(3) of the Act and section 706 of the 1996 Act, to encourage the deployment to rural areas of the infrastructure necessary to support advanced telecommunications services . . .”<sup>19</sup> In addition, the Commission observed that the rural exemption would “create parity between the rural CLECs competing with NECA carriers and those competing with non-rural ILECs.”<sup>20</sup>

The Commission’s findings underlying the rural exemption support retaining the same rural rate structure and extending it to the intrastate access services of all Rural CLECs. The costs incurred to serve rural areas remain high. Moreover, the rate reductions applicable to Track 1 carriers will clearly discourage and, in some cases completely stifle, the deployment of telecommunications infrastructure and advanced services in rural areas. As discussed above, rate reductions applicable under Track 1 would cause many MRCC carriers to refrain from any further deployment of services in rural communities and, in some cases, would force them to withdraw from rural markets completely. Applying the rural exemption rate structure to Rural CLECs under the Missoula Plan would continue the Commission’s long-standing policy of supporting competition and the deployment of advanced service in rural parts of the nation. It would also ensure parity between Rural CLECs and Rural ILECs.

Although the Commission has thus far limited the rural exemption to Rural CLECs competing against non-rural ILECs, this docket presents the opportunity to ensure uniform treatment for all Rural CLECs. Extending the rural exemption rate structure to the intrastate

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<sup>18</sup> *In the Matter of Access Charge Reform, Reform of Access Charges Imposed by Competitive Local Exchange Carriers*, CC Docket No. 96-262, SEVENTH REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING (April 26, 2001) at ¶ 66.

<sup>19</sup> *Id.* at ¶ 65.

<sup>20</sup> *Id.* at ¶ 66.

access charges of all Rural CLECs would (1) recognize the high cost of service in rural areas; (2) reduce the additional burden on the RM; and (3) further the goals of the Act by encouraging competition and the deployment of advanced services in rural communities.<sup>21</sup>

**C. THE MISSOULA PLAN SHOULD ENSURE THAT RURAL CLECs HAVE THE OPTION TO OPT INTO TRACK 2 RECIPROCAL COMPENSATION RATE CAPS.**

The Missoula Plan establishes toll access rates as the default rate for reciprocal compensation applicable to Rural ILECs under Track 3, but provides for different reciprocal compensation rates through the negotiation and arbitration processes under 47 U.S.C. § 252. As rural carriers, Rural CLECs should be treated similarly under the Plan. The size and cost characteristics of Rural CLECs compel a higher reciprocal compensation rate than the one applicable to RBOCs under Track 1.

As a practical matter, however, the administrative costs of negotiation and arbitration are out of proportion for most Rural CLECs. This disproportion between the administrative costs of arbitration on the one hand and compensation on the other renders the arbitration process an ineffective mechanism to determine the reciprocal compensation rates of Rural CLECs. Accordingly, Rural ILECs and Rural CLECs should be allowed, as an alternative to arbitrations and the burdensome development of cost studies, to voluntarily accept binding Track 2 reciprocal compensation rates without opting into Track 2 for all purposes. These Track 2 rates would be far more representative of Rural CLEC costs than the reciprocal compensation rates established for RBOCs under Track 1. As such, the Commission should maintain a distinction between access charges and reciprocal compensation rates for Rural CLECs as well as Rural ILECs. As part of maintaining this distinction, the Commission should allow Rural CLECs to

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<sup>21</sup> To remain fully consistent with the limitations on the rural exemption, the Commission could consider capping the *interstate* rates of a Rural CLEC that has not heretofore qualified for the exemption at the rates in place on the effective date of the Plan.



opt into the more appropriate Track 2 reciprocal compensation rates as an alternative to burdensome arbitrations.

**D. THE MISSOULA PLAN SHOULD BE MODIFIED TO GIVE RURAL CLECS ACCESS TO THE RURAL TRANSPORT RULES THAT APPLY TO RURAL ILECS.**

Rural CLECs have limited networks and resources in contrast to Track 1 carriers. Rural CLECs resemble Rural ILECs, not the RBOCs with whom they have been lumped under Track 1. Accordingly, Rural CLECs should have the same access to the Rural Transport Rules that the Missoula Plan provides for Rural ILECs.

**III. AS AN ALTERNATIVE TO THE SPECIFIC MODIFICATIONS DISCUSSED ABOVE, THE COMMISSION MIGHT CONSIDER INCLUDING RURAL CLECS IN TRACK 3.**

The recommendations discussed above would not require the Commission to reclassify Rural CLECs as Track 3 carriers. However, such a reclassification would be a reasonable alternative. There is no doubt that Rural CLECs closely resemble Track 3 Rural ILECs in size and service characteristics. With an average exchange size of 1,700 access lines, MRCC members are clearly among the smallest, most rural carriers in the nation.

Under Track 3, Rural CLECs' interstate access charges would remain the same as they are today and intrastate rates would be reduced to NECA interstate levels in four equal annual steps over 4 years. Rural CLECs would also have access to the RM to compensate for revenue losses resulting from these mandated rate reductions, minus the SLC charges that match the SLC charges of the competing ILEC.

**IV. CONCLUSION.**

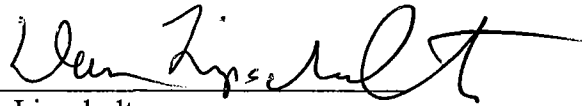
The MRCC urges the Commission to recognize the unique characteristics of Rural CLECs along with the critical and unique benefits they bring to rural communities throughout the nation. Economic development in rural areas depends significantly on the viability and

vitality of Rural CLECs who, as illustrated by the customer testimonials in Exhibits A – I, have brought competition, innovation and advanced services to rural communities. Accordingly, the Commission should ensure that the rate reductions and RM under the Plan are implemented appropriately so as not to jeopardize the critical role that Rural CLECs play in the economic life of rural America.

Dated: October 25, 2006

Respectfully submitted.

**Midwest Rural CLEC Coalition**

By   
Dan Lipschultz  
Its Attorney

**Exhibit A**  
**Letter From James A. Hess, Ed.D**  
**Bemidji Area Schools**

# BEMIDJI AREA SCHOOLS

3300 GILLETT DRIVE NW • BEMIDJI, MN 56601

**DR. JAMES A. HESS, SUPERINTENDENT**

218-333-3100 ext 105  
Fax 218-333-3129

**R. VAADELAND**

ASSISTANT SUPERINTENDENT

218-333-3100 ext 104  
Fax 218-333-3129

**J. HICKMAN**

DIRECTOR OF  
HUMAN RESOURCES

218-333-3100 ext 113  
Fax 218-333-3127

**C. LEINEN**

DIRECTOR OF  
BUSINESS SERVICES

218-333-3100 ext 125  
Fax 218-333-3127

**K. PALM**

DIRECTOR OF  
CURRICULUM & ADMIN SERVICES

218-333-3100 ext 103  
Fax 218-333-3148

October 16, 2006

Federal Communications Commission  
445 12th Street SW  
Washington, DC 20554

RE: Missoula Plan – FCC

To Whom It May Concern:

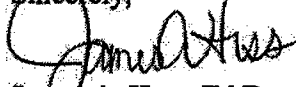
As Superintendent of the Bemidji School District, let me express how improved our telecommunication services have become since Paul Bunyan Telephone Cooperative built a brand new network in Bemidji, Minnesota.

For decades, the Bemidji School District and Bemidji residents endured poor customer service and very limited choices on existing or emerging technologies. High speed Internet services were not available, voice service was poor, and customer service consisted of a call center hundreds of miles away where we had to go through many steps to even get attention on our account.

Paul Bunyan Telephone's investment in our community has meant that the latest in technology is now being delivered to our school district and community. We enjoy many choices that larger communities have, including all digital television, HDTV, clear voice quality with numerous calling features not previously available, and Internet speeds we never thought would be possible.

We hope the FCC understands how important financial survival of rural broadband companies are to rural America. Without them, communities like ours would not see these advances in telecommunication services.

Sincerely,



James A. Hess, Ed.D.  
Superintendent of Schools

lr

**Exhibit B**  
**Letter from Larry Young**  
**Joint Economic Development Commission**

**Joint  
Economic  
Development  
Commission**



October 16, 2006

Federal Communications Commission  
445 12th Street SW  
Washington, DC 20554

Re: Missoula Plan- FCC

To Whom It May Concern,

The Joint Economic Development Commission (JEDC) is a community-based, non-profit private development corporation with a mission on strengthening the local economy. We feel that it is very important that you understand how important our local CLEC, Paul Bunyan Telephone, has been in providing the Bemidji area with superior broadband services. PBT has put Bemidji on the map when it comes to connection to the rest of the world via the web. We now have hundreds of businesses in our area that operate in the world wide market place because of the high speed internet connections provided by Paul Bunyan Telephone. Some could not operate without that connection.

Unfortunately, both the existing telephone and cable provider had made no significant improvements to their networks until after Paul Bunyan Telephone began offering services. They were four or five years behind the curve when it came to providing adequate internet services. Up until Paul Bunyan Telephone's expansion into the market, we experienced little or no responsiveness in resolving customer issues and found little interest in upgrading the network to provide advanced technology. After a few short years, both the cable and existing telephone provider began upgrading their networks, no doubt hastened by the fact there was a competitive provider already providing these services.

Residents and businesses alike now benefit from enhanced broadband services, due to the investment Paul Bunyan Telephone has made in infrastructure within the Bemidji community. These services have become the lifeline for many area businesses in the fields of education, bioscience, manufacturing and the tourism industry. Their services further help us attract new businesses to our area.

We hope the FCC seriously considers how valuable local broadband providers are in the communities where they work and live. There is no doubt in my mind that without our local service provider, communities like Bemidji would not see these technological advances for years to come...if ever!

Sincerely,

Larry Young

Executive Director, Joint Economic Development Commission  
Bemidji, MN



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**2006 JEDC Board of Directors**

**Lois Anderson**  
**Senior Vice President Operations**  
Security Bank USA  
P.O. Box 1630  
Bemidji MN 56619-1630

**Pete Aube**  
**Manager**  
Potlatch Corporation  
50518 County 45  
Bemidji MN 56601

**Kevin Baumgartner**  
**Owner**  
American Door Supply Co  
1225 Industrial Park Drive SE  
Bemidji MN 56601

**Bill Belford**  
**Consultant**  
First Federal Bank  
20266 Windhill Drive  
Bemidji MN 56601

**Jim Bensen**  
**President Emeritus**  
Bemidji State University  
1500 Birchmont Drive NE  
Bemidji MN 56601-2699

**Mindy Bowman**  
**Owner**  
Minnesota Wood Products  
4627 Bemidji Ave N  
Bemidji MN 56601

**John Davies**  
**Director of North Division**  
Kraus-Anderson Construction  
206 Beltrami Ave NW  
Bemidji MN 56601

**Dennis Doeden**  
**Publisher**  
The Pioneer Newspaper  
P.O. Box 455  
Bemidji MN 56619-0455

**Omar Forberg**  
**District Representative**  
American General  
2930 Acorn Lane NE  
Bemidji MN 56601

**Paul Freude**  
**General Manager**  
Paul Bunyan Telephone  
1831 Anne Street NW  
Bemidji MN 56601

**Darlene Geller**  
**Vice President**  
North Country Business Products  
P.O. Box 910  
Bemidji MN 56619-0910

**Charles Giammona**  
**Provost**  
Northwest Technical College  
905 Grant Avenue SE  
Bemidji MN 56601

**Jim Hanko**  
**President & CEO**  
North Country Health Services  
1300 Anne Street NW  
Bemidji MN 56601

**Judy Hanks**  
**Marketing Consultant**  
513 Scenic Shore Drive SW  
Bemidji MN 56601

**Jim Hess**  
**Superintendent**  
Bemidji School District  
3300 Gillett Drive NW  
Bemidji MN 56601

**Tim Hins**  
**General Manager**  
Spaulding Motors  
2602 Paul Bunyan Drive NW  
Bemidji MN 56601

**Jeff Kemink**  
**President**  
Wells Fargo Bank N.A.  
201 Third St NW  
Bemidji, MN 56601-3111

**David Landgrebe**  
**President**  
First Federal Bank  
P.O. Box 458  
Bemidji MN 56619-0458

**Richard Lehmann**  
**Mayor**  
City of Bemidji  
1426 Irvingside Lane SW  
Bemidji MN 56601

**Glen Lindseth**  
**Managing Partner**  
Miller, McDonald, CPA  
P.O. Box 486  
Bemidji MN 56619-0486

**Lynette Nieuwsma**  
**General Manager**  
Beltrami Electric  
PO Box 488  
Bemidji MN 56619-0488

**Ed Nynas**  
**General Manager**  
Bemidji Cooperative Association  
3447 Hummingbird Lane  
Bemidji MN 56601

**Jon Quistgaard**  
**President**  
Bemidji State University  
1500 Birchmont Drive  
Bemidji MN 56601

**Harold Vanleeuwen**  
**Airport Manager**  
Bemidji Regional Airport  
4015 Moberg Drive NW  
Bemidji MN 56601

**Joe Vene**  
**Commissioner**  
Beltrami County  
1415 Birchmont Drive NE  
Bemidji MN 56601

**Phil Verchota**  
**President, Northern Mkt Mgr**  
Deerwood Bank  
P.O. Box 1278  
Bemidji MN 56619-01278

**Paul Welle**  
**Vice President**  
First National Bank  
P.O. Box 670  
Bemidji MN 56619-0670

**Andy Wells**  
**CEO & President**  
Wells Technology Inc.  
4885 Windsor Court NW  
Bemidji MN 56601

**Marcus Wiechmann**  
**Division Manager**  
Otter Tail Power Company  
P.O. Box 70  
Bemidji MN 56619-0070

**Exhibit C**  
**Letter from Cal Larson**  
**Minnesota State Senator**



**CAL LARSON**  
Senator 10th District  
111 East Lincoln Avenue  
Fergus Falls, MN 56537  
Phone: 218-736-7823

**St. Paul Office:**  
153 State Office Building  
100 Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155  
Phone: 651-296-5655  
Fax: 651-767-0929  
sen.cal.larson@senate.mn  
www.callarson.com



## Senate

State of Minnesota

October 19, 2006

**Re: The Importance of our Competitive Local Exchange Carrier (CLEC)**

**To Whom It May Concern:**

As a State Senator from the Fergus Falls area, I rely on access to advanced telecommunication services to communicate with my constituency, both at home and at the legislature, on a high-speed Internet connection or via clear, reliable phone lines. My case is not unusual. Many of my constituents also rely on these services for education, telecommuting, and entertainment.

In Fergus Falls, we are fortunate to have an aggressive communications company which has been the first, and in many cases is still the only, provider of these advanced services. They are not the incumbent RBOC but rather a local rural CLEC, Otter Tail Telcom. They have made extensive investment in fiber and copper connectivity which affords services from voice, video, and data.

Otter Tail Telcom is a community player committed to the communication needs of the local residents and various state and local agencies. All these things are done through ingenuity and investment furthering the enhancement of the quality of life in this area.

We all are able to enjoy advanced services, additional choices and new services unavailable to us prior to CLEC entry to our market. It's no coincidence that these choices and advances came to our community in 1999 – it's because the Telecommunications Act of 1996 allowed for this new frontier in telecommunications.

The sustainability of rural communities like ours in the future will hinge on their ability to compete in a marketplace driven by technology. CLECs help ensure the investment needed for advanced services will continue to be made in order to keep us connected to the world.

Rural America can't afford to fall behind the times in terms of telecommunications and technology. I appreciate you taking into consideration the real-life impact of competitive carriers in rural markets in your decision making.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Cal', written over a circular embossed seal.

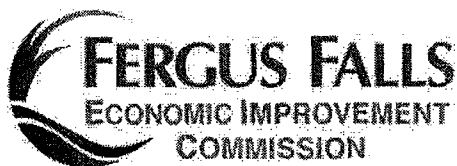
Cal Larson  
State Senator

**COMMITTEES:** Capital Investment • Commerce • Finance • Higher Education Budget Division •  
Rules and Administration • State Government Finance

**COMMISSIONS:** Duluth Seaway Port Authority • Great Lakes Commission • Legislative Commission  
Pensions and Retirement • Minnesota Amateur Sports Commission

**SERVING THE COUNTIES OF:** Becker, Otter Tail and Wadena

**Exhibit D**  
**Letter from Harold Stanislawski**  
**Fergus Falls Economic Improvement Commission**



October 2006

**Subject: The Importance of our Competitive Local Exchange Carrier (CLEC)**

To Whom It May Concern:

As you consider factors that may threaten the viability of local competitive exchange carriers in the future, I feel it important to express the importance of our CLEC to our community.

As the Executive Director of our Economic Improvement Commission, I have a close working relationship with our local telecommunications carriers and we share a vision for the expansion and growth of our rural communities. This relationship and vision gives us an advantage when seeking companies to re-locate, expand or start-up.

Take ACS, for example. Affiliated Computer Services, a Fortune 500 Company specializing in information technology and outsourcing, had several reasons for considering Fergus Falls for their next expansion. But without the advanced telecommunications services and the quick response only a local company such as Otter Tail Telecom can provide, this deal would not have come together. But because it did, Fergus Falls now has new jobs, new educational offerings at the local college and growth in the tax base. It is an important new industry in for Fergus Falls in a "knowledge-based economy".

This is just one example of what the partnership of a CLEC can provide to economic development. In today's day and age, without advanced telecommunications infrastructure and continued investment in new technology, a community can and will not grow. It is imperative to our future that the viability of competitive carriers to thrive and re-invest is maintained in order to help our communities grow with more choices, more services and more affordable options.

Please do not underestimate the impact of CLEC's on community economic development. Our experience proves it is an invaluable asset.

Sincerely,

A handwritten signature in dark ink, appearing to read "Harold Stanislawski".

Harold Stanislawski  
Executive Director  
Fergus Falls Area Economic Improvement Commission

112 Washington Avenue West

Fergus Falls, Minnesota 56537

Phone: 218.739.0128

[www.fergusfalls.com](http://www.fergusfalls.com)

**Exhibit E**  
**Letter from Mark Masten**  
**Fergus Falls Public Schools**

# Fergus Falls Public Schools

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Independent School District #544  
1519 Pebble Lake Road, Fergus Falls, MN 56537  
218-998-0544 x1009

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October 17, 2006

To Whom It May Concern

**Subject: The Importance of our Competitive Local Exchange Carrier (CLEC)**

As the Business Manager at the Fergus Falls Public Schools, we have many challenges in terms of budgetary constraints, maintaining efficiencies and connecting several school and administrative buildings.

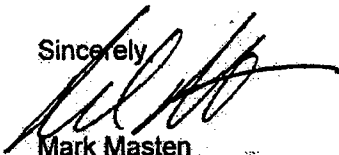
Because we live in a community served by several communications carriers, the options we have for meeting those challenges are better than they have ever been before. Our local rural CLEC, Otter Tail Telcom, is the only entity to offer the highly-effective and much more affordable solution we use now, called a Metro Optical Ethernet (Metro-E) service.

Our school district is disbursed, meaning we operate out of multiple locations. Six to be exact. The Metro-E service meets the connectivity needs of our multiple locations and has helped us reduce expenses and meet budgetary constraints. This technology enables our six separate locations to communicate seamlessly at very high speeds via fiber connections and consolidate our purchased services such as Internet into one connection for our entire network.

Without a competitive carrier in our community such as Otter Tail Telcom, this solution would not have been possible unless we built and maintained the network ourselves. While on the surface this might look like a viable solution to some, deeper consideration reveals the pitfalls. Networks such as this are susceptible to cable cuts, cable locating requirements, maintenance, and in our case, should we decide to expand to another location or relocate a site, requirements for additional capital expenditures for new fiber facilities and the possible abandonment of existing fiber. All of these issues are outside our level of knowledge, our experience, and our mission.

Having access to a community driven communications company and its expert staff allows us to operate efficiently and focus on what we do best, education. For the future of our kids and our community, please don't jeopardize the future of rural CLECs.

Sincerely,



Mark Masten  
Business Manager

**Exhibit F**  
**Polar Telcom Customer Testimonials**

## Polar Telcom Testimonials:

"We appreciate the personal hometown service Polar has given us."

- *Steven Hastings, General Manager  
Valley Equipment*

"The personal service and extended calling area provides a greater convenience for our area customers."

- *Tim Strand, Owner  
Hardware Hank*

"We are extremely pleased to have the personal service and the extended area calling. The availability of the services that the Polar staff can provide is a plus to our communities."

- *Dr. Rob Lauf, DDS  
Goose River Dental Association*

"The photography industry is changing rapidly. Our new High Speed Internet access from Polar allows us to access our labs and provide fast service without sacrificing quality."

- *Ron Jacobson, Owner  
Jacobson's Studio*

"As far as I'm concerned, Polar came to Mayville and Portland and offered services we had never had before. We've switched everything over and have been very happy with the personal service. Polar also built a building, which has made a huge improvement to Main Street. Nice to see progress in a rural community."

- *Neil Larfald  
Residential Customer*

"With Polar's service, most of our patients can now call us locally, we now have High Speed Internet services and most importantly – there are local technicians we can call on to give us immediate service. We also appreciate the personal service we receive from our Account Representative. We are not only a number to Polar."

- *Roger Baier, Administrator  
Union Hospital*

"Because of Polar's vision, Mayville and Portland can now claim the latest telecom technology and services. They provide cable TV, local and long-distance telephone, dial up and high-speed Internet, and a variety of other services. This is something that many rural communities only wish they had. The first steps in 1997 truly began a mutually beneficial relationship that has brought cutting edge technology to the community and the University."

- *Dr. Gary Hagen, Interim President and Vice-President for Academic Affairs  
Mayville State University*

**Exhibit G**  
**Letter from Jon E. Quistgaard**  
**Bemidji State University**





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OFFICE OF THE PRESIDENT

October 19, 2006

Federal Communications Commission  
445 12<sup>th</sup> St SW  
Washington, DC 20554

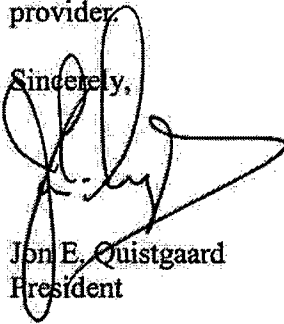
Re: Missoula Plan - FCC

To Whom It May Concern:

As President of the Bemidji State University, I wanted to indicate our satisfaction with the telecommunication services provided by Paul Bunyan Telephone Cooperative of Bemidji, Minnesota.

Since becoming a member of the cooperative, the University has enjoyed a high level of customer service. Paul Bunyan Telephone Cooperative provides very important delivery of rural broadband. We look forward to our continuing relationship with this quality provider.

Sincerely,



Jon E. Quistgaard  
President

JEQ:smr

**Exhibit H**

**Article: “Behind the Scenes  
Resources in Cambridge Belie Size of City”  
by Matt Krumrie**



## CAMBRIDGE COMMUNITY SPOTLIGHT

# BEHIND THE SCENES

Resources in Cambridge belie size of city

**K**athi Schaaf believes that in order for a chamber of commerce to succeed, it must give the members of the organization value. She also knows that in order for businesses to succeed, they need ample resources to grow. She works to see that the Cambridge Chamber of Commerce meets those challenges.

"People who join the chamber want a return on their investment," says Schaaf, executive director. "It's no longer acceptable for a company to join the chamber just to say they're involved with the community. If they join, they want programs that can benefit their business."

As the largest city in Isanti County, Cambridge is the hub of regional business activity. With more than 250 area businesses as members, the chamber has an important role in the local business scene. It's a role the chamber staff relishes, Schaaf says. The chamber offers a full menu of business-related programs.

"They've done some really good things to give business owners the chance to network with other business owners and get involved," says John Sullivan, economic development director with the

BY MATT KRUMRIE

### [tips]

city of Cambridge. "I think with a growing community like Cambridge, it's something business owners need and appreciate."

The chamber sponsors numerous events throughout the year. Among its many programs are:

- **Chamber First Friday:** A program designed to facilitate open dialogue between private business and city of Cambridge staff.
  - **Chamber Quarterly Business Luncheons:** Networking luncheons featuring local business tabletop resource booths, speakers on current business issue topics. Event allows for marketing to business peers and their employees.
  - **Chamber Small Business Focus:** A program dedicated to the success and sustainability of the Cambridge and Isanti County area small-business sector.
  - **Customer Service Excellence Training:** Eight-hour course taught in the classroom by private businesses to high school students. Program focuses on preparing students to be successful as they enter their first work experience.
- George Johnson, president of Cambridge Properties, says business leaders in the Cambridge area are serious about using each other as resources. He heads the Cambridge Business Development Co., a collaboration of business owners and resources that get together to provide and discuss business opportunities and developments in the area.

"The city of Cambridge is changing, evolving faster than ever," says Johnson. "It's important for business leaders to talk about these issues, and work together. It's been a positive and a lot of good things have developed from these meetings."

## Room for tech growth

One area where business leaders would like to see improvement within the city business landscape is in the technology sector. The city has 23 manufacturing industries in the town that offer good paying jobs with benefits, but business leaders say one goal is to attract more high-tech firms.

Helping lead the way is an organization called the Northern Technology Initiative, an East Central Minnesota regional economic development initiative geared to enhance the region's profile to attract high-technology companies. NTI is located at Pine Technical College in Pine City.

"We've done a good job of attracting manufacturing, retail and professional services to the area, but it hasn't been a hotbed for tech companies," says Schaaf. "We're trying to change that."

One program that has succeeded is called Community as a Classroom, which is a partnership between Cambridge-Isanti High School and community businesses focusing on the learner through career and technical education. Students are taught basic skills such as customer service, how to handle themselves in an interview, and what to expect in their first jobs. The idea is that these students will someday become members of the Cambridge work force, eventually helping solve business owners' employment needs and issues. Over 100 students have completed the program.

Cambridge High School, with an enrollment of about 1,200 students, also has a program in welding that is recognized statewide for its success, and a new National Automotive Technicians Education Foundation program that is gaining interest.

Patrick Johns, president of the Cambridge branch of Anoka Ramsey Community College, knows the value education plays in a community's success.

"I think the area has shown its commitment to education," says Johns. "We have a lot of great things going on that add to the community that people might not realize."

An economic impact assessment done two years ago shows the college had an indirect impact of \$20.8 million annually to the city of Cambridge. It was broken down like this, according to a fall 2000 enrollment of 1,436 students:

- Indirect impact: \$10.8 million is attributed to those persons visiting the college and/or students and student local expenditures.
- Induced impacts: \$5.8 million is attributed to the re-spending of money in the local economy.
- Direct impact: \$4.2 million is attributed to the college's payroll, capital and operations.

"For every \$1 of public money invested into a Cambridge Campus student, there is a \$19 return of economic activity placed back into the local economy," says Johns.

The college also offers business and professional services such as meeting facilities and a place to hold continuing education and customized training courses for businesses, as well as a place to hold community or business-related events.

Henry Fischer, business and community development manager with East Central Energy (ECE), offers behind-the-scenes services to businesses. Established in 1936, ECE is Minnesota's oldest and third largest customer-owned electric cooperative, now serving more than 52,000 homes, farms and businesses across east central Minnesota and northwestern Wisconsin.

## [who can help]

**Northern Technology Initiative (NTI)** is a regional economic development initiative that enhances the region's profile to attract high-technology companies. NTI is located at Pine Technical College in Pine City. For more information, contact: Patrick Johns, president, 218-335-2222, [www.nti.org](http://www.nti.org).

**Anoka Ramsey Community College** is a public college serving the Anoka, Ramsey and Cambridge communities. The college offers a variety of programs, including a welding program and a new National Automotive Technicians Education Foundation program. For more information, contact: Patrick Johns, president, 218-335-2222, [www.aramcc.edu](http://www.aramcc.edu).

**Cambridge-Isanti High School** is a public high school serving the Cambridge and Isanti communities. The school offers a variety of programs, including a welding program and a new National Automotive Technicians Education Foundation program. For more information, contact: Patrick Johns, president, 218-335-2222, [www.cishs.org](http://www.cishs.org).

**Community as a Classroom** is a partnership between Cambridge-Isanti High School and community businesses focusing on the learner through career and technical education. For more information, contact: Patrick Johns, president, 218-335-2222, [www.cac.org](http://www.cac.org).

**Cambridge Campus** is a public college serving the Cambridge community. The college offers a variety of programs, including a welding program and a new National Automotive Technicians Education Foundation program. For more information, contact: Patrick Johns, president, 218-335-2222, [www.camcc.edu](http://www.camcc.edu).

**East Central Minnesota Workforce Partnership** is a regional economic development initiative that enhances the region's profile to attract high-technology companies. For more information, contact: Patrick Johns, president, 218-335-2222, [www.ecmwp.org](http://www.ecmwp.org).

**Building Business Investment in Community (BBIC)** is a collaboration of Minnesota organizations and associations with strong ties to the state's business community. For more information, contact: Patrick Johns, president, 218-335-2222, [www.bbic.org](http://www.bbic.org).

**Grow Minnesota** is a statewide business, retention and expansion initiative launched by the Minnesota Chamber of Commerce in partnership with local chambers, including the Cambridge Area Chamber of Commerce. For more information, contact: Patrick Johns, president, 218-335-2222, [www.growmn.org](http://www.growmn.org).

**East Central Minnesota Workforce Partnership** is a regional economic development initiative that enhances the region's profile to attract high-technology companies. For more information, contact: Patrick Johns, president, 218-335-2222, [www.ecmwp.org](http://www.ecmwp.org).

**East Central Regional Development Corporation** provides leadership and direction to businesses by providing technical assistance, grant funding and marketing and developing local resources. For more information, contact: Patrick Johns, president, 218-335-2222, [www.ecrdc.org](http://www.ecrdc.org).

**Minnesota Department of Economic Development (MED)** is a state agency that provides leadership and direction to businesses by providing technical assistance, grant funding and marketing and developing local resources. For more information, contact: Patrick Johns, president, 218-335-2222, [www.med.state.mn.us](http://www.med.state.mn.us).

"The community is growing fast. It's actually been kind of fun to see this happen," says Mayor Marlys Palmer.

ECE offers free walk-through audits of commercial buildings, and cost-shared audits of large facilities that may involve industrial process engineering. With its power supply cooperative Great River Energy, ECE partners to offer \$250,000 in below-market financing for land, buildings and electrical machinery and equipment, in correlation with a business lead lender. They also offer up to \$1.5 million in financing through its membership in the Minnesota Community Capital Fund.

Twice each month ECE produces an e-mail newsletter for business customers, alerting them to new programs and resources that help them use energy wisely, take advantage of new technology and facilitate business growth. Cambridge is the largest load center in ECE's region.

"People think of the energy company as the place that sends your electric bill," says Fischer. "But we're an advocate for the business community and work hard to provide businesses in our region with low-cost alternatives."

## \*Laying cable

Competing with the incumbent telephone company (Qwest), NorthStar Access offers residents in Cambridge a choice for local telephone service. It combines high-tech communication services with a strong local presence in each community, including hometown-based employees and local offices. It also offers Internet access and long-distance service.

Maureen O'Neill, vice president with NorthStar Access, says a local office is "a distinct advantage for customers because it offers a level of personal service that is unheard of in the telecom industry."

Cambridge is in the heart of the geographic area that NorthStar Access serves, and as one of five communities (others include Elk River, Mora, North Branch and Princeton), it is where NorthStar is experiencing its fastest growth. NorthStar Access currently serves over a third of the customer base

in Cambridge, and plans to double that in two to three years.

To make all these services a reality for consumers, NorthStar Access has invested a substantial amount in the Cambridge.

"We have taken the unique approach of building our own network in the ground," says O'Neill. "To date, the amount invested in infrastructure is approaching \$5 million in the city of Cambridge alone."

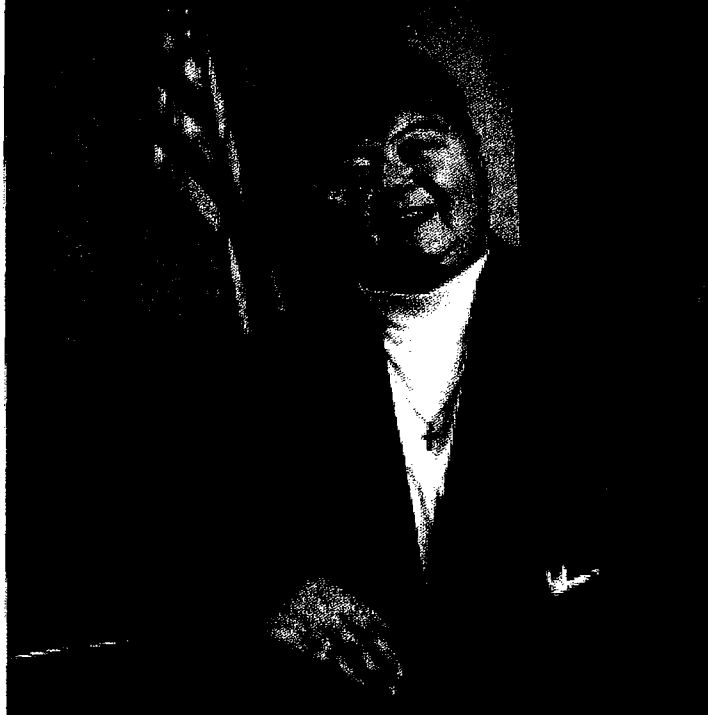
Sullivan heads the Cambridge Development Alliance, an action group comprised of city, chamber, utility organizations and the Cambridge Business Development Co., that is dedicated to the future economic development and vitality in the Cambridge area. He has worked closely with Fischer on numerous initiatives at the local, state and national level.

These types of programs have helped attract businesses to the Cambridge area, he says.

"Behind the scenes there is a lot going on for business owners," says Sullivan. "But we are seeing the results of that behind-the-scenes action, because the community is growing and thriving."

Schaaf agrees. "We have a lot of resources here," she says. "We still may be considered a small town, but we big-time opportunities for businesses. As the community grows, these resources have been and will be important."

Mayor Marlys Palmer sums it up. "The community is growing fast. It really has become the center of activity for the



MIKE BURIAN

region. It's actually been kind of fun to see this happen."

## [contact]

Henry Fischer, East

Central Energy: 763.689.8055; henryfischer@ecorn.com. Patrick Johns, Anoka Ramsey Community College-Cambridge: 763.423.3435; Patrick.Johns@anokaramsey.edu. George Johnson, Cambridge Property: 763.689.4505; george@ncproperty.com; www.ncproperty.com. Maureen O'Neill, NorthStar Access: 763.652.4572; maureen@nstatel.com; www.northstaraccess.com. Marlys Palmer, mayor's office and Red's TV and Appliance: 763.689.2080. Kathi Schaaf, Cambridge Area Chamber of Commerce: 763.689.2505; cambch-b@shentel.net; www.cambridgechamber.com. John Sullivan, city of Cambridge: 763.652.2209; jsullivan@ci.cambridge.mn.us.

**Exhibit I**  
**Letter from Christopher T. Huisinga**  
**Life Science Innovations**



PO BOX 753 1800 TECHNOLOGY DRIVE WILLMAR, MN 56201 PHONE: (320) 222-9750 / (888) 320-9750 FAX: (320) 222-9769

[WWW.LIFE-SCIENCEINNOVATIONS.COM](http://WWW.LIFE-SCIENCEINNOVATIONS.COM)

October 23, 2006

Jeff Roiland  
General Manager  
En-Tel Communications  
VIA EMAIL ([JRoiland@En-Tel.com](mailto:JRoiland@En-Tel.com))

Re: MinnWest Technology Campus

Jeff:

Life-Science Innovations (LSI) is partnered with Nova-Tech engineering to develop the MinnWest Technology Campus. MinnWest is chartered with developing a collegiate campus environment to attract other companies in the life sciences, engineering, and other technology focused fields and provide those companies with the best chance of business success by removing the many obstacles that are faced by businesses in technology. It is this optimal environment that has attracted companies such as Epitopix, FeedLogic, and Midwest data to join LSI and Nova-Tech on the campus.

Long term it is our goal to create 800+ additional jobs on the campus over the next 10 years. We hope to build a healthier and stronger community by building a strong economic infrastructure and employment base. We view our relationship with En-Tel and other CLECs as being an integral part of that effort.

En-Tel has provided us several competitive benefits:

- First rate customer service
- Access to the performance telecommunication services
- Data redundancy in a customer centric and responsive environment
- A competitive telecommunication environment that in turn provides: Optimum efficiency driving lower costs and a focus on service first by all telecom providers in the area
- Commitment to the local economy in providing and maintaining the necessary infrastructure (i.e. Fiber optic cabling)

We have sincerely appreciated this relationship and view it vital to our success in building the Willmar and Kandiyohi County economy. We sincerely look forward to a long and healthy relationship with En-Tel as well as the other CLECs that operate in the communities that we do business.

Best regards,

A handwritten signature in black ink, appearing to read "Chris Huisinga", with a long, sweeping horizontal line extending to the right.

Christopher T. Huisinga  
Director of Business Development

AFFILIATED COMPANIES :

